TO: SMART CITIES AND SERVICE IMPROVEMENTS COMMITEE

FROM: Jacky Morales-Ferrand

SUBJECT: RENT REGISTRY UPDATE

DATE: October 30, 2019

Approved _KH_____

Date 31 OCTOBER 2019

RECOMMENDATION

Accept the staff report on the Rent Registry.

EXECUTIVE SUMMARY

The Rent Registry serves as an essential tool in the tracking and prevention of unpermitted rent increases, overcharging during tenancies, and unlawful evictions and vacancies. The registry gives the Housing Department the ability to proactively monitor and enforce by:

- Tracking current rents and rent increases;
- Calculating maximum allowable rent increases; and
- Documenting instances of improper rent increases.

Data from the Rent Registry has proven valuable in helping staff understand and analyze the rent-stabilization apartment market.

The rent registry was established to gain additional visibility within the rent-stabilization apartment community. Before the rent registry was established, the only data that was available was the address of the building, the owner's contact information, and the number of units within a building. After going live in August, the number of bedrooms, baths, monthly rents, and services offered has been attained for each registered unit. Analysis and comparisons to market rate and affordable project apartments was not possible. The Program uses this information to gain a better understanding of the Apartment Rent Ordinance stock and a true average of actual rents paid. Once year two of registration has been completed, the rent registry will serve as a compliance tool to notify property owners of rent increases beyond the allowable 5%. This will minimize violations and improve property owner and tenant relations. The data will also give the Program more insight with how many property owners increase rents annually and by the amount throughout the City. Tenants will have the opportunity to validate their monthly rent and contact the program directly of any potential dispute. This information can be used to work with stakeholders to develop policy to strengthen the rent-stabilization community.

BACKGROUND

The City Council directed Housing staff to implement a rent registry of all rent-stabilized units to facilitate enforcement of the Apartment Rent Ordinance (ARO). The registry requires landlords to submit specific housing and tenancy information regarding each apartment unit subject to the ARO. The information collected includes rent amounts and increases, security deposits, vacancy reason for last tenant, and tenant names.

In preparation of developing the Rent Registry, staff spent three weeks working with IBM's top talent in a pro-bono consulting grant project called 'San Jose Smarter Cities Challenge'. Khanh Russo in the Mayor's Office had submitted a compelling proposal to have IBM's problem-solving team contribute on the project and the City was award the grant. On November 7-8, 2017, Housing staff, property owners, housing providers, property managers, tenants, and tenant advocates met for an IBM led workshop to brainstorm the design of an evolving Rent Registry to benefit the City's rent stabilized community. IBM brought an innovative approach from the private sector to include all stakeholders involved. System specifications and functions were established with participants' input and IBM's recommendations to increase utilization for property owners and to ensure a successful launch.

Staff completed additional research by contacting other cities that maintain an online rent registry. Staff received insightful recommendations on other Programs' processes, functions, security, resource requirements to develop and maintain their system. Three other cities had used significantly more personnel or consultant time and capital to build out and support their rent registry.

Cities with Established Rent Registries implemented over time include:
- Santa Monica;
- Berkeley;
- Los Angeles;
- Beverly Hills; and
- San Jose.

Cities currently establishing an online presence include:
- East Palo Alto;
- Richmond; and
- West Hollywood.

Innovative System Design - The Housing Department uses Salesforce as the Customer Relations Management (CRM) system and it was determined that the best solution to host the Rent Registry should also be Salesforce. IBM assisted with analyzing and cleaning of the data and offered recommendations on the design of the system. Staff spent four months reconciling the addresses in PBCE's AMANDA Permit system to Public Works mailing address lists to assure the records were as accurate as possible.
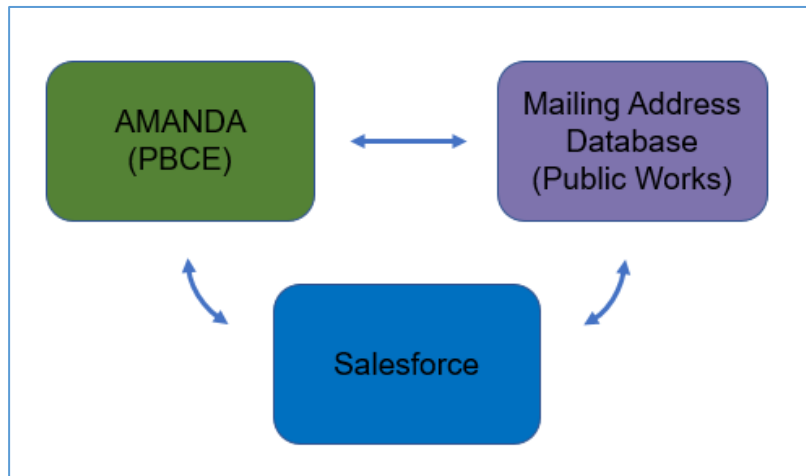
User Engagement - Once a testing environment was developed the data was integrated into the Rent Registry. Staff then hosted workshops and outreach meetings with property owners and realtor associations to test the system. The Program concentrated on creating additional value for the end users. Participants ranged from the savvy technically skilled users to some that rarely operated a computer. There were multiple recommendations for design changes to improve the functionality and layout of the system. Staff considered, and applied all proposed changes offered within the system's capability. The Program's goal was to produce the most user friendly environment to increase participation in unison with being a resource to assist with the enforcement.

Plan to increase compliance rate - In an effort to increase owner participation, 1,421 letters to landlords were mailed in August of 2019 to those who have not registered to inform them that, per the Ordinance, rent increases are not allowed unless the apartment units are registered in the Rent Registry. As a result, the registration compliance rate increased 8% by end of August. A similar letter was mailed to 6,453 tenants in October 2019 informing them that their rents cannot increase until their landlords comply with the Ordinance. On day one of tenants receiving the letter, staff received 12 tenant inquiries from tenants living in units not registered and who received rent increases or rent increase notices. During these conversations, one tenant reported a rent increase of 13% in the last 6 months. The Rent Registry is a pro-active compliance tool for the Program. Tenants are engaged with and becoming more aware of the Ordinances. Tenants living in units that are not registered *and* received rent increases after the registration deadline can file a tenant petition with the Program.

Enforcement – Currently tenants who file a petition may also file on the basis of living in an unregistered apartment. Staff works with tenants to provide documentation indicating if the apartment is registered. Landlords with non-registered apartments may not increase rent. If a rent

increase is determined to be illegal, a rent credit can be awarded by the hearing officer to the tenant.

After meetings with landlords, housing providers, property managers, and realtor associations during the development stage of the Rent Registry, the Program established action items to inform and assist the users with the adoption of the new technology. Below are the steps taken by the Department to ensure an effective launch of the Rent Registry:

- Three mailers to landlords;
- Three email blasts;
- Availability of paper registration forms for landlords who prefer not to submit information electronically; and

- Seven Rent Registry workshops;
- User guide produced in three languages;
- Phone, email, and in-person End User Support.

ANALYSIS

The Rent Registry website went live in August 2018. The launch of the Rent Registry marked the beginning of the first registration period that ended on March 1, 2019. As of October 1, 2019, approximately 31,682 rent-stabilized units have registered out of 38,867 equaling 82% of the total amount of rent stabilized units. By comparison, Los Angeles established a rent registry in 2016, and through their first year of implementation had 65% of their units registered.

The focus for staff during 2018–2019 was informing owners about the Rent Registry, educating them about their requirements, and providing technical assistance throughout the registration process. While most properties were registered online, 372 properties were registered by paper forms.

The Rent Registry serves as an essential tool in the tracking and prevention of unpermitted rent increases, overcharging during tenancies, and unlawful evictions and vacancies. The registry gives the Housing Department the ability to proactively monitor and enforce by:

- Tracking current rents and rent increases
- Automatically calculating maximum allowable rent increases
- Documenting instances of improper rent increases

Data from the Rent Registry has proven valuable in helping staff understand and analyze the rent-stabilization apartment market. For example, staff can now analyze the rents charged by landlords.

Below are examples of data derived from the Rent Registry.

Figure 1 - Apartment Sizes and Average Rents Charged for Apartments subject to the Apartment Rent Ordinance:
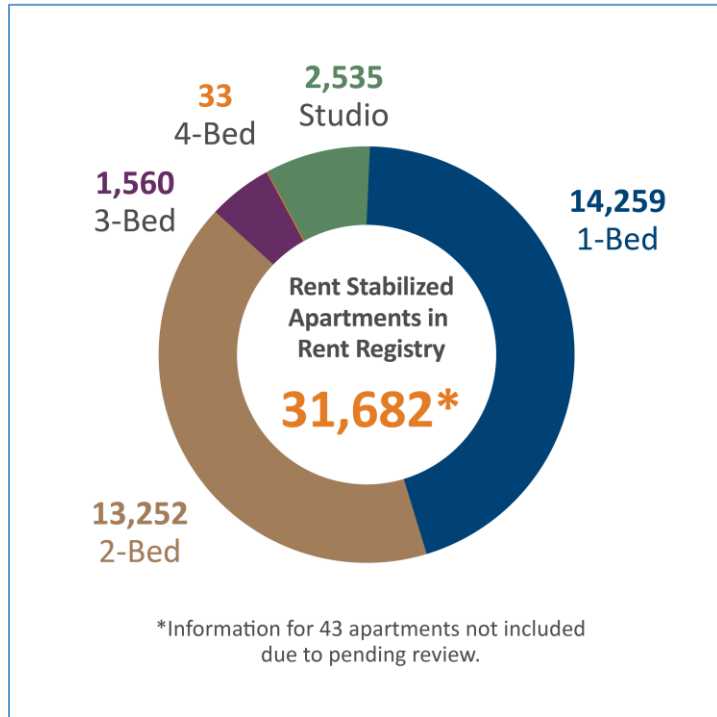
33
4-Bed

2,535
Studio

1,560
3-Bed

Rent Stabilized
Apartments in
Rent Registry

31,682*

14,259
1-Bed

13,252
2-Bed

*Information for 43 apartments not included
due to pending review.

Figure 2 - Over 1,500 Section 8 Voucher Holders Live in Apartment Rent Ordinance Apartments:

5%

1,571

Rent Registry
apartments
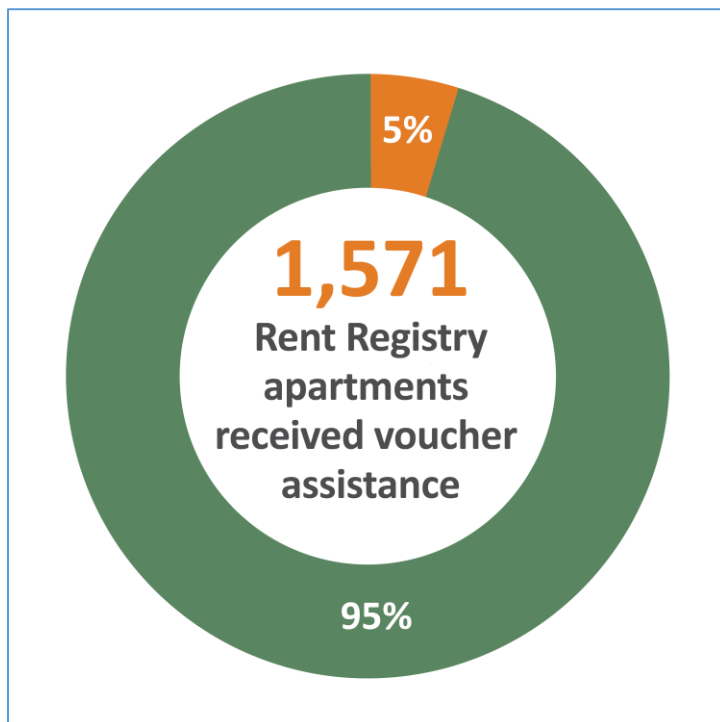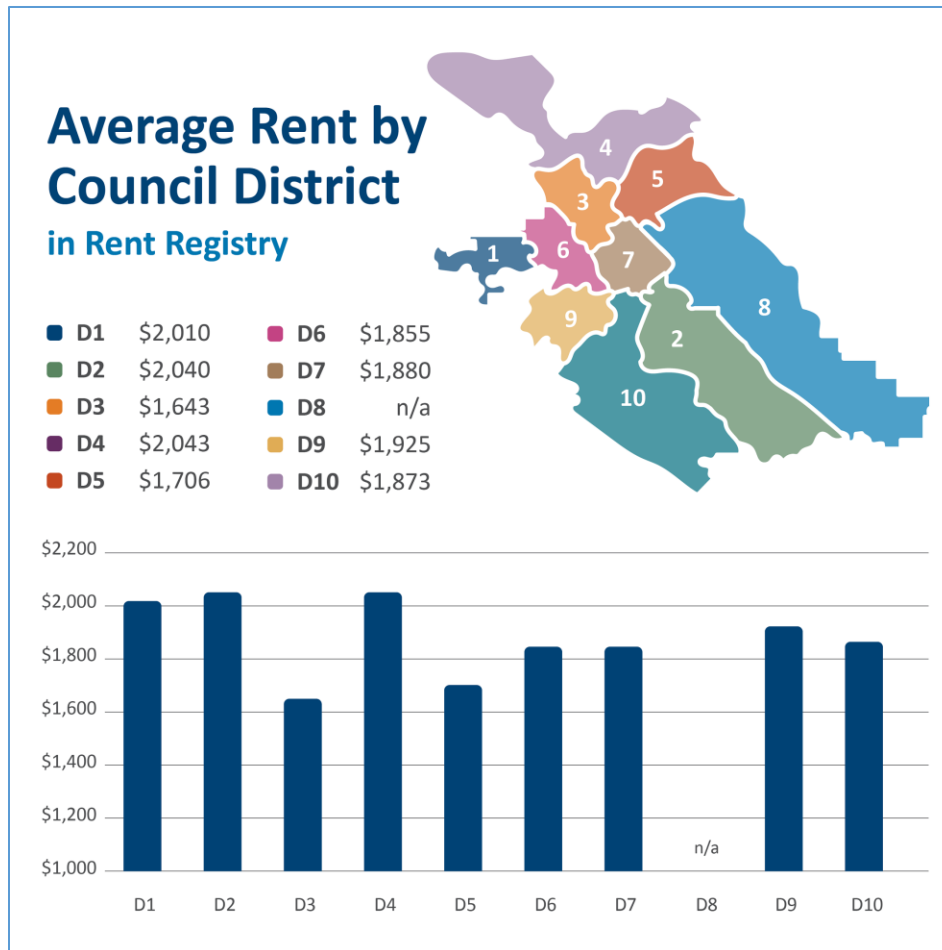received voucher
assistance

95%

Figure 3 - Average Rent by Council District:

*n/a – Designates no apartments were registered during this period for D8

Prior to the implementation of the Rent Registry, Rent Stabilization Program staff relied on data from sources such as U.S. Census data and subscription services such as CoStar to provide information related to the rental housing market used to develop policy recommendations. Since the implementation of the Rent Registry, data is now available providing a more accurate description of the apartments covered by the Apartment Rent Ordinance. The following is a summary of key findings:

Figure 4 - Average Rent for Rent Stabilized Apartments:
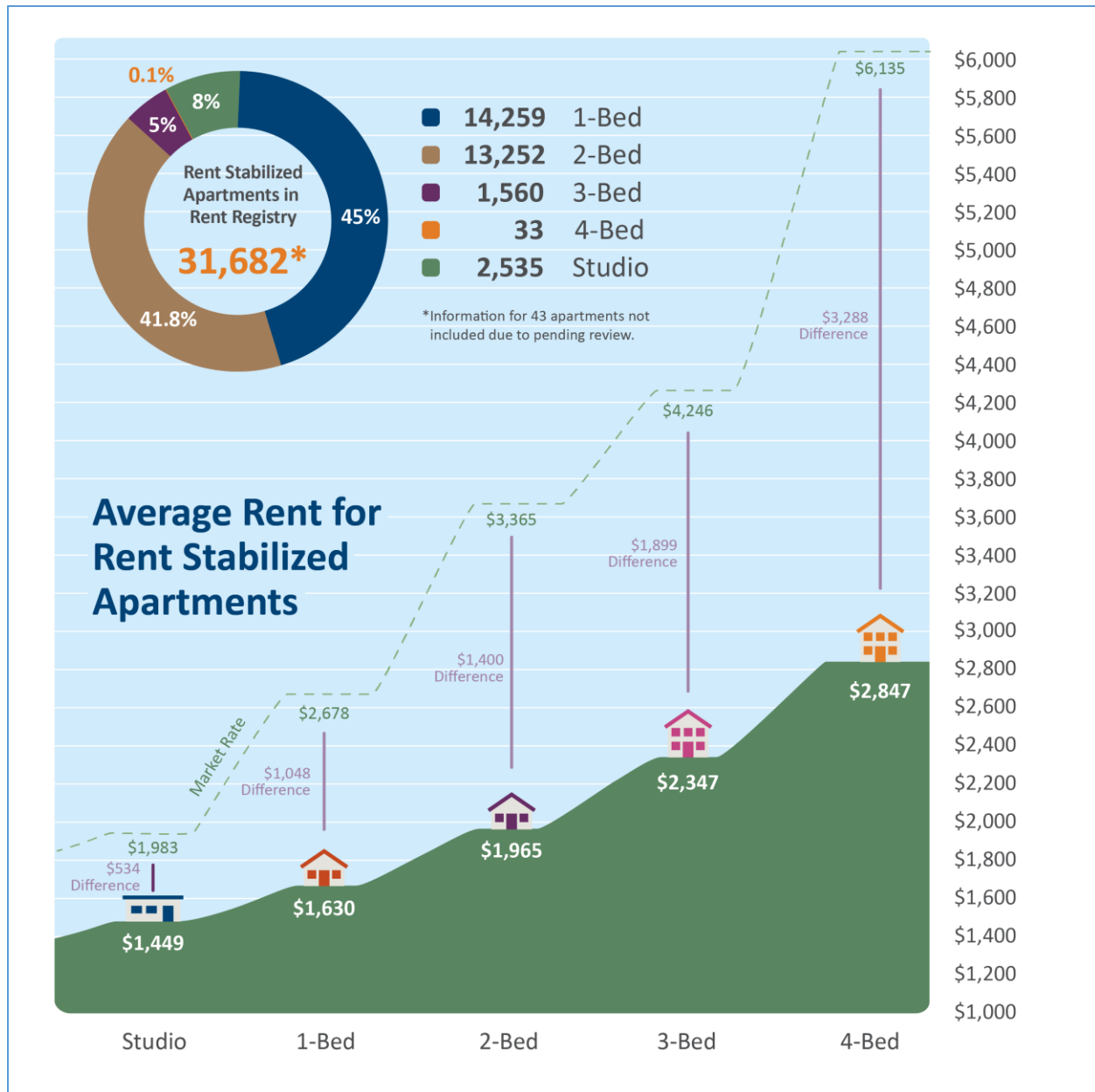
As Figure 4 shows, rents in Apartment Rent Ordinance Apartments are up to 54% Lower than Market Rents.

Rent Registry year two plan - During 2019–2020, staff will implement a system under the Rent Registry allowing for tenant validation of rental data. Also, staff will propose to City Council by end of the year the implementation of administrative citations for unregistered units. The next registration period is tentatively scheduled to start in January 2020 with a 90-day registration period. Once the Program receives 2 years of data, further analysis and compliance will be available from the rent stabilization community.

The City and staff will increase visibility by having the rent registry generate a report of the rent increases and percentages on a year to year basis. Enforcement of the Ordinance will improve with this report, staff will be aware of rent increases beyond the allowable amount and will inform property owners and management. As the rent registry builds more history, the data will be more insightful and relevant for the rent stabilization community.

Opportunity to Replicate Success - Other Cities are researching and assessing which solution would be the best platform for their online rent registry. They are considering the available staff time to develop and support the product as well as budgeted funds. The City has received feedback by several cities on the efficiency of the Salesforce implementation with the limited resources.

EVALUATION AND FOLLOW-UP

 This report will be cross-referenced to the full City Council agenda. Additionally, the Rent Stabilization Program provides an annual report to the Housing and Community Development Commissions summarizing results from the rent registry.

PUBLIC OUTREACH

From August to November 2019, staff conducted seven workshops where owners and property managers received one-on-one technical assistance from housing staff to register their properties. These workshops were held in computer labs at the Roosevelt Community Center and Martin Luther King Library. There was an average of 15 attendees per workshop.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
JACKY MORALES-FERRAND
Director, Department of Housing

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.